

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON

In the Matter of the Application)
regarding the Conversion and)
Acquisition of Control of Premera Blue)
Cross and its Affiliates.)
) No. G 02-45

PUBLIC HEARING
BEFORE INSURANCE COMMISSIONER KREIDLER
at
The Doubletree Seatac Hotel
18740 International Boulevard
Seatac, Washington
on
December 11, 2003

Taken Before:
SUE E. GARCIA, CCR, RPR
Certified Court Reporter
of
CAPITOL PACIFIC REPORTING, INC.
2401 Bristol Court S.W.
Olympia, WA 98502
360.352.2054
e-mail: capitol@callatg.com
www.capitolpacificreporter.com

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P R O C E E D I N G S

(6:10 p.m., December 11, 2003)

COMMISSIONER KREIDLER: Good evening, and welcome to this adjudicative hearing on the matter of Premera's request to convert to a for-profit company. My name is Mike Kreidler. I'm the Washington State Insurance Commissioner. This is OIC Case No. G 02-45. And the purpose of this hearing is to take testimony from the public on Premera's request to convert to a for-profit company.

Let me begin by introducing the staff and parties that are present. To my right over here you will -- if you'd kind of raise your hand, we have John Domeika, who is senior vice president and legal counsel to Premera. Sitting to his left is outside Premera counsel, Tom Wolfendale. And over here also to my right we have the representative from the Office of the Insurance Commissioner's review team, Jim Odiorne, who is Deputy Commissioner for Company Supervision. Representing the third-party intervenors this evening we have Jeff Coopersmith representing the Washington State Medical Association.

Also participating tonight to my left we have Assistant Attorney General Christine Beusch, who is my assigned counsel from the Attorney General's Office. Further to my left here we have court reporter Sue Garcia. And in the back as you

1 came in you had a chance to see three staff members from my
2 staff, Scott Schoengarth, excuse me, Stephanie Marquis, and
3 Stephanie Peck -- excuse me -- Sandi Peck. If I could get
4 this straight; I only work with them everyday.

5 Next I would like to discuss for you is just kind of a
6 brief update of Premera's application and following that,
7 then, the procedures for tonight's hearing.

8 Premera's filed its Form A filing in September of 2002
9 asking for approval to convert to a for-profit insurance
10 company. If this conversion is approved, Premera would be
11 owned by the stockholders and would be publicly traded. The
12 value of Premera would be put into a foundation to fund
13 health needs for the public.

14 Many laws apply to a transaction like this. The primary
15 law that is in effect is the Holding Company Act, RCW 48.31B
16 and C. This applies to health service contractors like
17 Premera Blue Cross. In early 2001 I had asked the
18 legislature for authority to review a conversion like this by
19 expanding the Holding Company Act to cover these types of
20 proceedings. The legislation was adopted later that year and
21 contains the procedures for review and for criteria for
22 deciding whether to approve or disapprove a conversion.

23 Considerable amount of progress has been made in the
24 year since Premera's initial filing. We held initially four
25 public hearings around the State of Washington. Premera has

1 introduced and filed a number of supplemental pieces of
2 supplemental information. OIC staff and outside experts have
3 reviewed literally tens of thousands of documents. And I've
4 granted third-party intervenor status to the Washington State
5 Medical Association, the Washington State Hospital
6 Association, the Premera Watch Coalition, and to others, who
7 have all been taking an ongoing part in this process for
8 making a decision.

9 We have 17 different reports from a variety of experts
10 ranging from accountants, tax consultants, investment
11 bankers, lawyers, and health-policy consultants. The Office
12 the Insurance Commissioner's website, www.insurance.wa.gov,
13 has all of these expert reports on that website. All of the
14 hearing documents that have been filed to date by the parties
15 are available there. And the 23 orders that I have issued to
16 date are also present on that website.

17 I should point out that we do have available here
18 tonight executive summaries, a limited number, I might add, a
19 limited number of executive summaries of these expert reports
20 for those who would be interested in having a copy.

21 This activity, as would be expected, and the sharing of
22 information has generated a considerable amount of media
23 interest and attention, especially in the newspapers. This
24 case is still very much in the information-gathering stages.
25 I have received no recommendations from the Office of the

1 Insurance Commissioner's staff, and won't be making any
2 decision in this matter until the appropriate time.

3 Tonight's meeting is part of an adjudicative hearing.
4 It is being conducted under the state Administrative
5 Procedures Act. The proceeding is much like a trial where
6 you hear testimony, but less formal, let me assure you of
7 that. I serve as the judge, and I will make a decision in
8 this matter when all of the evidence has been submitted and
9 the formal adjudicative process ends.

10 The parties to this proceeding -- I've introduced you to
11 them -- would be the OIC staff review team, which is walled
12 off from me legally within the Insurance Commissioner's
13 office to maintain their independence in this process of
14 making a recommendation, obviously Premera, who filed the
15 application, and the intervenors who have demonstrated a
16 significant interest in the proposed conversion.

17 I should tell you, in case you haven't heard, that last
18 night, actually this morning formally, I adopted the 23rd
19 order, which extends the time lines for considering this
20 application for conversion. All of the parties met last
21 night in -- or yesterday afternoon and went into the evening
22 at a meeting that I had called, and after that deliberation,
23 came to an agreement as to what was necessary for the time.
24 and that's what's included in the 23rd order.

25 I'm pleased to say that it closely parallels what I felt

1 all along was going to be necessary as a part of making sure
2 this was a very, very public process, that the review of all
3 information was done very carefully, and most particularly to
4 ensure that the citizens of the State of Washington, the
5 consumers, are protected.

6 The formal adjudicative hearing will take place -- will
7 begin on March 29th of 2004 at a location yet to be
8 identified, but will be posted shortly on our website. The
9 parties at that time, at the formal adjudicative hearing,
10 will offer evidence and documents and testimony. The hearing
11 itself may last up to two weeks. The times and location, as
12 I said, will be available on our website. The final decision
13 cannot take place any later than June 7th with a final
14 decision on this matter related to Premera's conversion.

15 Also as a part of this very public process are the four
16 public hearings that I've been reaching out to the public.
17 This is the third of four of these public meetings that we've
18 been holding around the state. The purpose here is to
19 provide you with the opportunity to provide testimony.
20 Comments will be treated as evidence, and I will consider
21 them in making my final decision.

22 Here's how tonight's hearing will work. Testimony will
23 be evidence in the adjudicative hearing as it's presented.
24 Everyone who testifies must do so under oath. Everyone who
25 intends to testify will need to raise their hand and be sworn

1 in.

2 Please don't let this formal process intimidate anybody
3 from offering testimony. You are quite free to offer your
4 own personal opinions. You don't need to worry about fine
5 points of law or proving the arguments that you're putting
6 forward. They can clearly be your own personal opinions.
7 Your testimony and your -- will be recommendations to me in
8 making a decision.

9 Because tonight is part of an adjudicative proceeding,
10 parties that are here to my right could ask questions. I've
11 asked those parties to show serious restraint in doing so
12 tonight because they're going to have ample opportunity in
13 the formal March hearing for their opportunity to present
14 their information and ask questions at that time. If,
15 however, the parties choose to ask a question, I would ask
16 them, since I might not see it, to attempt to get my
17 attention so I can recognize them for that purpose.

18 All testimony and remarks are being recorded by our very
19 able court reporter, Sue Garcia, over here to my left. A
20 transcript of that hearing will be part of the record in this
21 case and will be posted on the OIC website as soon as it is
22 available.

23 Again, I want to stress that while this has -- is a
24 hearing that has some formal aspects, it is a very informal.
25 It is clearly your opportunity to express your feelings about

1 the proposed conversion. It can be about your experiences
2 with Premera, with health insurance in general, and/or
3 information that you consider to be relevant to me making the
4 appropriate decision.

5 Once everybody is sworn in, I will call for the person
6 who's going to be first to testify to come up. I would ask
7 for the next person to testify to also come up but then take
8 a seat over here to the left so that we can proceed through
9 as appropriately as possible. I would ask you to state your
10 name and where you live as a part of the record. Once each
11 person has finished, I will then call the next person to go
12 up and have a seat. The person who is seated will come up
13 and proceed to testify.

14 We will proceed this way and throughout the hearing of
15 all of those who have signed up. If you decide at some later
16 point that you would like to testify and didn't have an
17 opportunity to be sworn in, please go to the back and just
18 sign in. And when I call your name from the sign-up sheet, I
19 will swear you in as you come up as you're ready to testify
20 and, again, state your name and where you live.

21 There may be -- there are a number of people here who
22 will wish to testify during the two hours. I would ask as a
23 favor to those, so that everybody has an opportunity, to be
24 as direct and succinct as possible so that we give everybody
25 a fair chance to testify. A suggested period of time might

1 be around three minutes at the most.

2 Now we're ready for the swearing in. I would like for
3 everyone who wishes or might wish to testify, I would ask you
4 to please at this time to raise your right-hand.

5
6 ROGER OVERBECK, BEN RIPOND,
BOB DREWEL, SHAY SCHAUL-BERKE,
7 NEIL KOSEFF, TRACY GARLAND,
GARY ALEXANDER, GERALD J. MCKAY,
8 JOANNE METROPLOS, JIM WILSON,
ANNE FARRELL, BILL MONTO,
9 MAUREEN CALLAGHAN, ELAINE NOONAN,
MARY WALKER, JEAN ROBERTS,
10 PETER J. DUNBAR, NICHOLAS RAJACICH,
WENDY LEBLANC, CECILY HALL,
11 PATRICK RYAN, JEFF HUEBNER, STEVE LEAHY,

12
having been first duly sworn, testified
13 as follows:

14
15 COMMISSIONER KREIDLER: Thank you. Now I'm going
16 to begin the process of calling the names on the list here.
17 And the first name that I have here would be -- it's always
18 interesting here. Roger Overbeck, if you would please come
19 up; you may take the seat right here. Following Roger, Ben
20 Reppond. Ben, if you could have a seat right here.

21 MR. OVERBECK: My name is Roger Overbeck. I'm from
22 Ellensburg, Washington. I represent approximately 350 tire
23 dealers as president of Northwest Tire Dealer Association,
24 also a member of ASA, which utilizes Premera, approximately
25 800 members. We are against them going as a public

1 corporation due to our previous experience and the
2 monopolistic attitude they've had in rendering services and
3 HMO programs, where they have increased their rates but not
4 provided the amenities that go along with the program.

5 The -- in our last negotiation -- we've been a member of
6 Premera for quite a few years. And our last negotiations
7 basically they intimidated us towards a take-it-or-leave-it
8 as far as the program is concerned. And due to the limited
9 amount of insurers for our size group in the state of
10 Washington and other states, we don't have any other
11 alternatives except to pay their exorbitant pricing.

12 If they go public, then the stockholders have to reap a
13 dividend, the CEOs have to gain monetary value. So where
14 does that put the independent businessman in the state of
15 Washington trying to provide for his employees? Thank you.

16 COMMISSIONER KREIDLER: Thank you very much, sir.

17 And, Ben, if you can come forward. And following Ben, I
18 would like to call on Snohomish County Executive Bob Drewel.
19 Bob, if you would come up and have a seat over here.

20 MR. RIPPOND: Thank you. Ben Rippond. I live in
21 Seattle. I'm an independent insurance broker and have no
22 direct affiliation with Premera. We represent all of the
23 insurance carriers in the state, including Premera, to our
24 customers. The -- I wanted to speak in favor of their
25 conversion.

1 The -- I don't want to get into and I don't really have
2 any comments on the use of their funds or their plans. But
3 in looking at this, I -- I looked at it from one point of
4 view. Our customer is the employer and the consumer,
5 employees of those employers and the direct consumers. We
6 represent about 700 employers and about 70,000 members.

7 The point of view I looked at was we also have customers
8 who are also in California, and I wanted to look at this --
9 the comparative in California for California Blue Cross, who
10 is a for-profit company, compared to Blue Shield in
11 California, which is a similar counterpart, which is not for
12 profit. And we have limited cases, but we do have a number
13 of situations where -- that have coverage with Blue Cross.

14 And when we competitively bid this, every year we find
15 that Blue Shield in California for the same demographics, and
16 the same data, the same time periods, the same plans, is more
17 expensive. And so the coverage is maintained with Blue Cross
18 of California in a for-profit status. From that I deduced
19 that being a for-profit doesn't necessarily mean that your
20 rates go down, but I don't see any evidence that they would
21 go up.

22 My interest is in trying on behalf of our customers to
23 try and keep costs down. And I see that this will give them
24 the capital to do what they say they're going to do and to
25 keep costs down if they follow suit similarly to California.

1 Thank you.

2 COMMISSIONER KREIDLER: Thank you very much, Ben.
3 Should point out that Ben is on my life and disability --
4 life and health advisory committee with the industry from my
5 office.

6 MR. RIPPOND: Thank you. My pleasure.

7 COMMISSIONER KREIDLER: Bob Drewel. As you take
8 your seat, I would like to then call on State Representative
9 Shay Schual-Berke.

10 MR. DREWEL: Good evening, Commissioner Kreidler.
11 My name is Bob Drewel. I live in Arlington, Washington.
12 Thank you for the opportunity to speak tonight. I am here to
13 support Premera Blue Cross's application to convert to a
14 for-profit business.

15 As Snohomish County Executive, one of my most important
16 duties is to support in every way possible the economic
17 health of Snohomish County and our communities. I know that
18 the hearing is about protecting the quality and availability
19 of insurance coverage for the residents of the state of
20 Washington. And I will, of course, defer to your experience
21 and strong judgment on those specific issues.

22 But I must address, for the record, another important
23 issue, and that's the issue of jobs and economic survival in
24 tough times. Premera Blue Cross wouldn't be here if their
25 business were not at risk, and their risk is our risk because

1 Premera, with about 2500 employees, is the second largest
2 nongovernmental business in Snohomish County. This is not a
3 cold statistic. It's 2500 people and many more in their
4 families who depend on this company for their livelihoods,
5 much as the over 50,000 people and over 1500 businesses in
6 Snohomish County who depend on Premera for insurance
7 coverage.

8 And they're all in the same boat. In my opinion that
9 boat is at some risk. In fact, I can't think of an industry
10 that is more at risk today than medical insurance providers.
11 Dramatic change, as you know, has been the story for this
12 industry for a number of years. As I say, I'll leave this to
13 your considered judgment.

14 But again, my responsibility is to comment upon the
15 economic health and sustained economic health of Snohomish
16 County. Thank you for this opportunity.

17 COMMISSIONER KREIDLER: Thank you, Bob.

18 Shay Schual-Berke. And as you come forward, I would
19 like to call on Neil Koseff. Please come up and have a seat
20 over here.

21 MS. SCHAUL-BERKE: Commissioner Kreidler, thank you
22 very much for allowing me to speak. I'm Shay Schual-Berke.
23 I'm a state representative from the 33rd legislative
24 district.

25 I serve on the appropriations and healthcare committee,

1 and I'm privileged to be the chair of the financial
2 institutions and insurance committee. And partly in that
3 capacity I would like to express my appreciation to you,
4 Commissioner, for the high degree of professionalism with
5 which you are taking us through this very difficult, very
6 complex, and very sensitive problem. So thank you for
7 allowing all of us to participate so publicly.

8 As a legislator I have no special access to you, which
9 is part of why I'm here tonight. I am not here to either say
10 please do or please don't grant this request for a
11 conversion. I am here, however, to ask or to reinforce your
12 efforts in taking the time that you need in making sure that
13 you have access to all of the information so that whatever
14 recommendation you finally make, whatever your ruling finally
15 is, it is an informed one and one the citizens of the state
16 can depend upon to withstand any challenge.

17 Now, all that we have heard so far publicly -- and like
18 everyone else, that's all that I have access to -- is that
19 your consultants have thus far felt they could not grant --
20 would not recommend granting such a conversion.

21 I believe that the legislature in passing the Holding
22 Act was very intentional in saying you must do all that you
23 can to prevent harm to the public. I found it very
24 important, very significant that just today a report came
25 across my desk from a nonpartisan think tank, the Milbank

1 Foundation, which commissioned a study to look at the impacts
2 of conversion of Blue Cross across the country. And if I
3 could, I would like to paraphrase one small piece of what
4 they said.

5 They basically felt that no one should take a knee-jerk
6 response to a request for conversion. There could be
7 positives. There could be negatives. It would depend on
8 each state. That, in fact, they saw little change to either
9 price trends or unwriting practices. But what they did see
10 consistently across the conversions in the country was that
11 providers have been most adversely impacted because the plans
12 have forced them to offer deep discounts, and that is a
13 direct quote.

14 If the way in which this conversion might keep its costs
15 down and thus appear to serve the people of the state of
16 Washington is indeed enforcing deeper discounts to providers,
17 I must ask you, as a legislator who cares very much about
18 access to healthcare for our people, what that will do to the
19 hospitals who are already financially in great straits, and
20 to the doctors who are already having great difficulties
21 staying in practice.

22 So again, I ask you to please take the time and get all
23 of the information as you weigh this before making a decision
24 and make sure that we still have healthcare to provide even
25 if someone has insurance.

1 Thank you very much for the opportunity.

2 COMMISSIONER KREIDLER: Thank you, Representative.

3 Neil, want to come up on up. And did I pronounce it
4 right? Koseff?

5 MR. KOSEFF: Yeah, that's fine.

6 COMMISSIONER KREIDLER: Following you I would like
7 to have Tracy -- is it Garland? Please. Oh, excuse me. Of
8 course I know Tracy. Have a seat right there, please.

9 MR. KOSEFF: Yes. My name is Neil Koseff, and I
10 live in the Greenwood area of Seattle, Washington. And I'm
11 here representing one family, who is one of the people that
12 you don't have on the board as the actual payers, the rate
13 payers. And I represent my family who pay the rates.

14 I'm here tonight to ask you, Mr. Commissioner, to refuse
15 Premera's request to convert from a nonprofit to a for-profit
16 company. I believe that this conversion will drive my health
17 insurance fees higher faster than is already happening and
18 will hasten the time when even I cannot afford health
19 insurance.

20 I am also here tonight to ask you to investigate my
21 charges that Premera has been systemically and wilfully
22 trying to eliminate its nonprofit individual nongroup
23 customers over the last five to seven years to facilitate its
24 conversion to a for-profit company. The best way to
25 eliminate the nonprofit part of the business is to get rid of

1 all of the current nonprofit customers one way or another.

2 Just a few years ago -- and admittedly, I don't know if
3 these numbers are accurate. So I'm not an expert in
4 healthcare. Admittedly, just a few years ago there were just
5 over 200,000 individual rate payers, families like myself.
6 Now I've been told there's less than 50,000. What happened
7 to all of these customers? Why would any company permit a
8 loss of such a large percentage of loyal customer base
9 without trying to retain them unless they really wanted to
10 get rid of them.

11 Mr. Commissioner, Premera's already becoming a
12 for-profit company without your permission. Their actions
13 prove this. I only wish we could get Elliott Spitzer out
14 here.

15 Most of people speaking tonight represent different
16 segments of the medical-insurance economic food chain
17 pyramid. I represent the group at the very bottom. I
18 represent those who have to pay personally for every one
19 else, all of Premera's bureaucrats, their lobbyists, all the
20 public relation guys dressed here in suits, lawyers, doctors
21 and, yes, even you, the Insurance Commissioner, who as a
22 state employee, I am very jealous of your healthcare
23 benefits. I wish I could get them, and in part they're paid
24 for by me.

25 For over 50 years, Blue Cross of Washington and Alaska

1 served the community here by providing low-cost health
2 insurance. What happened to that? I've been a customer of
3 Blue Cross of Washington and Alaska for over 20 years of my
4 adult life and been continuously with them since 1989. Now,
5 in the mid-'80s I went back East, so that's why I wasn't a
6 customer.

7 Unfortunately, I am not part of a politically powerfully
8 organized group, so no one, and I mean no one, cares about my
9 plight. My, quote, "nonprofit health insurance" has gone up
10 from \$218 a month in February 1994 -- and I have my bank
11 statements here -- to \$1,377 a month in May 19 -- May 2003,
12 an over 600-percent increase for the exact same family
13 benefit policy with no end in sight. Okay?

14 This current payment is more than many mortgage payments
15 in the Puget Sound area. At least with a mortgage payment
16 you own something in the end; you own an expensive house.
17 All I have to look forward to is even higher payments. and at
18 this rate of increase, within a few years it will be at \$2500
19 for a nonprofit insurance.

20 This is the effect of compounding of double-digit
21 increase year after year for only a few years. My payments
22 are at a point where even a small percent increase will
23 drastically increase the number of dollars that I have to
24 pay.

25 Recently my wife contacted Premera and asked to possibly

1 lower our premiums by raising my deductible according to the
2 pricing schedules that we have; schedules say \$100
3 deductible, \$500 deductible. She was bounced around to six
4 different people, who finally transferred her to the, quote,
5 "marketing department."

6 Unfortunately, they were not permitting any changes
7 on -- so you couldn't even increase your deductible to change
8 your rate. They not doing it for any of their existing
9 customers, even those paying \$1,350 a month and have been
10 with them over 20 years. Instead the marketing department
11 tried to show us the exit door. And they suggested we leave
12 Blue Cross for some other, quote, "for-profit company" called
13 LifeWise or something like that if we wanted to make any
14 changes in our nonprofit policy.

15 In addition, she was told that we would have to start
16 from scratch with this other company, as if I was a totally
17 new customer. This is a wonderful goodbye, thanks, in return
18 for my paying premiums for 13 years continuously and over 20
19 years of my life, that is Blue Cross here, of which I have
20 only used a small fraction of the premiums.

21 At 56 years of age with a young family, I realize this
22 is not the best time to search afresh for new health
23 insurance. We all know insurance is a numbers game. By
24 systemically eliminating most customers and pushing as many
25 out the door as possible, it will drive up premiums for those

1 who remain, which in turn will push more out the door.

2 This is Premera's modus operandi for assisting it to
3 become a for-profit company. They have decided to become a
4 for-profit company whether you agree or not, it's just a
5 matter of accounting now.

6 I chuckled when I see a recent expensive Premera TV ad
7 asking federal employees to select Premera as their
8 healthcare provider. I guess they want them. I wonder if my
9 premium dollars were used to pay for that ad.

10 Premera has attempted to bribe the State by promising to
11 give the State of Washington dollars for the goodwill value
12 of the company. If your office permits these changes, those
13 bucks belong not to the State of Washington as a whole, but
14 rather to the customers who for year after year kept Premera
15 soluble when it was called Washington Blue Cross and paid
16 every month out of their pocket. That's who all this
17 goodwill money belongs to. It don't belong to the state
18 legislature to do with what they wish. That money should be
19 used, if you decide to make it for-profit, to reduce our
20 premiums.

21 I'm a very private person and don't want to air my
22 problems publicly. This situation is very critical now, and
23 unless you do something right now and say no and investigate
24 my charges, you will cause tremendous additional economic
25 burden on many thousands needlessly so a few shareholders and

1 officials of Premera can become very rich. Thank you.

2 COMMISSIONER KREIDLER: Thank you very much,
3 Mr. Koseff.

4 Tracy, if you want to come on up. And then following,
5 State Representative Gary Alexander.

6 MS. GARLAND: I'm Tracy Garland. I live in
7 Seattle, Washington.

8 And I would just like to clarify that the remarks that I
9 intend to make tonight do not comment on the conversion
10 itself, and they do reflect my personal opinions as an
11 executive in the field of philanthropy, not the official
12 opinion of the organization that I lead or the parent -- or
13 its parent, Washington Dental Service.

14 But I am here tonight because I believe that the
15 availability of assets for philanthropic purpose would
16 provide the state an opportunity for significant health
17 improvements, and I say that because philanthropic dollars
18 are not subject to the same constraints that either public or
19 private resources are. And if they are focused on the causes
20 of disease and if the leadership of the philanthropic
21 organization has the discipline to take the long view, I
22 believe that significant change is possible.

23 And the real quick concrete example coming out of the
24 conversion foundation in California, which dedicated
25 \$70 million over a ten-year period to aim at the reduction of

1 the availability of guns and gun safety. At the end of that
2 period of time, the outcome that they can point to was over
3 300 local ordinances passed in 200 communities in California.

4 And perhaps more importantly, that process created a
5 cohort of elected officials who went on to become state
6 legislators and advocates for gun safety, which was the
7 leading cause of death for California teenagers. So I think
8 that's just one concrete example of what a foundation could
9 do to significantly reduce or improve health in our state.

10 There has been a reduction in oral disease as a result
11 of foundation dollars being used to support community
12 campaigns for public water -- fluoridating public water
13 supplies. And again, that's just another example.

14 So my bottom line is that there is an opportunity here
15 and that philanthropic dollars can be effective in improving
16 health.

17 COMMISSIONER KREIDLER: Thank you very much, Tracy.

18 Representative Alexander. And following Representative
19 Alexander, J.J. McKay.

20 MR. ALEXANDER: Thank you, Commissioner. For the
21 record, I'm Gary Alexander, state representative of the 20th
22 District. I appreciate, as representative Shay Schual-Berke
23 indicated, deliberateness in the importance of this issue,
24 and I look forward to the outcomes of the public input
25 deliberations you've made.

1 I just want to comment, I also serve on the healthcare
2 committee and appropriations committee and the capital budget
3 committee, where I'm ranking member of the Republican party.
4 The issues to me there are all tied to this particular
5 decision, the issues of healthcare. And I think from the
6 standpoint of being here tonight, one of the positive
7 outcomes would be the ability to have an infusion of
8 resources to address our healthcare needs in our state. If
9 this could be done through a process that can build resources
10 that can address most importantly healthcare needs of the
11 state, I think that should be a part of the considerations
12 that all of you make in this decision.

13 I've had the opportunity in my career to work for both
14 private nonprofit and private for-profit organizations as
15 well as in government. I believe the same objectives, same
16 goals, the same management of resources and rates are
17 equivalent in both positions. I do not see this conversion
18 having an adverse outcome on either rates or access.

19 In the areas of my district, access is a very important
20 issue, as is jobs. I am concerned, if the conversion does
21 not take place, that both of those could be detrimental to
22 the constituents in the 20th District and throughout the
23 state as a whole.

24 So as you deliberate on this, think about the impacts on
25 healthcare, think about the impacts on employment, think

1 about the impacts on capitalization. And hopefully the
2 decision will be in the right direction. Thank you very
3 much.

4 COMMISSIONER KREIDLER: Thank you very much,
5 Representative Alexander.

6 J.J. McKay. And following him I call on Joanne
7 Metroplos, if you would please come up and have a seat right
8 here.

9 MR. McKAY: And for the record, my real name is
10 Gerald McKay. And I live in Seattle, and I am a senior vice
11 president of the American Heart Association.

12 And here we are at this great festive time of year at
13 the holidays. Many kids will get up on the morning of the
14 25th all excited to see what's under the tree. But
15 unfortunately the gift that they will be opening up is that
16 they'll belong to group of kids that for the first time in
17 many generations will be receiving the gift of a shorter life
18 expectancy than the generation in front of them.

19 When you look at within a few short years one in three
20 kids will develop juvenile diabetes, which is a major risk
21 factor for heart disease, it is very severe, and we have
22 allowed the system to get into place to prevent any type of
23 changes. We are very supportive of a foundation or an
24 endowment to be able to make a difference and, again, working
25 on changing structure and providing the uninsured children

1 with some basic education.

2 You know, insurance is a wonderful gift. Knowledge to
3 prevent some of the leading causes of disease is even a
4 better gift. Many diseases can be presented by a healthier
5 lifestyle. And I can assure you that if we can help get
6 these kids and these messages out, you'll see a huge
7 difference.

8 I think recently here we have seen an example is in
9 Montana when they went to the Clean Air Indoor Act, and they
10 saw admissions to their emergency rooms drop significantly.
11 Shortly afterwards when that act was repealed, they saw those
12 emergency room admissions spike back up. Can you imagine
13 what we can do here if we had those type of resources and if
14 we were focused on our kids for the future?

15 So as you make your decision, I think I would ask you --
16 we would ask you to consider not just today's decisions and
17 today's healthcare participants, but the healthcare
18 participants of the future. Thank you.

19 COMMISSIONER KREIDLER: Thank you very much.

20 Joanne. And as you come up, I would like to call on Jim
21 Wilson, if he would come up and have a seat, please.

22 MS. METROPLOS: Thank you. My name's Joanne
23 Metroplos. I've been a registered nurse for 23 years. For
24 21 of those years I've worked at Swedish Medical Center as an
25 obstetrical nurse, and I live in Seattle.

1 On behalf of 17,000 Washington healthcare workers who
2 are members of the Service Employees International Union
3 District 1199 Northwest and the 60,000 SEIU members statewide
4 who are consumers and clients in our healthcare system, I
5 want to join in urging the State to reject Premera Blue
6 Cross's attempt to convert to a for-profit company.

7 The main reason we oppose this conversion is that we're
8 concerned that it could make it even more difficult for
9 hospitals to work with caregivers to solve problems that
10 threaten to undermine the quality of care in our state.
11 Giving insurers more market power, which I believe is a
12 strong possibility should this conversion be approved, would
13 defer badly needed resources away from the front-line care.

14 Every day caregivers in Washington deal with one of the
15 key challenges facing Washington's healthcare system, which
16 is adequate staffing. Ensuring that better healthcare
17 workers have enough staff to do our jobs properly translates
18 into better care for our patients. A growing mountain of
19 research has linked poor staffing in healthcare facilities to
20 higher rates of medical errors and increased staff burnout.

21 Front-line caregivers have a lot of ideas about how
22 hospitals can do more to attract and retain staff, and there
23 are a wide range of fronts where advancements can be made on
24 staffing issues. Hospitals need to direct more resources to
25 initiatives like health and safety innovations that reduce

1 the number of nurses and other staff that suffer back
2 injuries, for example. New technology can be deployed to cut
3 down on medical record errors. More staff positions could be
4 created to reduce workloads for caregivers and allow us to
5 focus on providing the care that our patients deserve.

6 At the end of the day, healthcare workers believe that
7 allowing Premera Blue Cross to convert to a for-profit will
8 make it more difficult to focus resources on dealing with
9 these challenges. For-profit healthcare insurers' track
10 record on this point is not impressive. As a for-profit,
11 Premera's first priority would naturally be to expand profits
12 for its shareholders. This is a priority that does not match
13 up with the urgent needs of nurses and our patients. For
14 this reason, nurses and hospital workers urge you to reject
15 Premera's proposal. Thank you.

16 COMMISSIONER KREIDLER: Thank you.

17 Following next, Jim Wilson. And following Jim Wilson,
18 Anne Farrell, if you would please come up.

19 MR. WILSON: I'm Jim Wilson. I live on Tapps
20 Island in Pierce County, but I work in downtown Seattle. I'm
21 a chartered life underwriter. I'm a certified employee
22 benefits specialist. I've been employed in the insurance
23 industry for 33 years.

24 I have worked with Premera Blue Cross, Regence, all
25 similar to Ben Reppond. I find that this is a necessary step

1 for Premera to do some long-term financing where it needs to
2 go. You cannot expect with the margins that these companies
3 have -- and the gentleman should talk to broker about his
4 insurance at \$1300 a month. But Premera doesn't make any
5 money on their individual insurance, so I don't know where it
6 is going, but it is high.

7 Premera needs this money to grow. There's tremendous
8 requirements with HIPAA, with the system. Put \$100 million
9 into their claims system. HIPAA has been a major burden for
10 all the carriers. They need capital infusion, and they need
11 it badly, and the industry's not going to be healthy without
12 a strong reserve base. The reserves are not where they
13 should be, and they will get there.

14 On a personal note, I have known Gubby Barlow since
15 1997. The man has tremendous integrity, and he's done a
16 fantastic job of organizing his staff. They have a can-do
17 attitude. They're very customer-service oriented. They do a
18 great service. So the poor gentleman that called would have
19 had good experience, I think, if he had called a broker. I
20 don't know why he got bounced around. I know that all our
21 ratings rate Premera very, very high.

22 This money that will go to the state to fund a
23 foundation will do a great deal to service the citizens. The
24 citizens are the real winners of this state. So I highly
25 support the conversion, and I think it would lead to a

1 long-term very healthy Premera, and others will probably
2 follow suit.

3 COMMISSIONER KREIDLER: Thank you very much,
4 Mr. Wilson.

5 And I was negligent to not introduce Gubby Barlow, who
6 is president and CEO of Premera, who is in the audience.

7 And, Anne, if you have a seat. And following Anne
8 Farrell, Bill Monto. Bill, if you would come up and have a
9 seat.

10 Please, Anne.

11 MS. FARRELL: Good evening. Thank you for allowing
12 me to speak. My name is Anne Farrell, and I live in Seattle.

13 For nine years I served on the board of Blue Cross of
14 Washington and Alaska and then as it changed to Premera.
15 During that entire time I never heard a discussion in the
16 board room -- remember, these are independent directors that
17 are the trustees of the company -- that did not take into
18 consideration the effect on policyholders. That was our job.
19 And I know that the top leadership of the company as well as
20 the board continues to hold that as their purpose and see to
21 it that the decisions in the board room affect positively the
22 policyholders in the state.

23 Currently I have just retired as the president and CEO
24 of a Seattle foundation, and I was active as an executive of
25 that organization for 23 years. So I, too, am interested in

1 the effect that the possibility of this very large
2 health-oriented foundation might have on the state.

3 I think it's been suggested that the amount of money
4 might be as great as half a billion dollars. That's
5 \$500 million. Using conservative endowment management, you
6 usually use as a rule of thumb a 5-percent payout each year
7 in perpetuity, forever, in other words. 5 percent of
8 \$500 million is \$25 million a year that would be available
9 for nonprofit purposes, healthcare prevention purposes.
10 Research has been suggested. There are all sorts of very
11 positive outcomes that could come from such a foundation.

12 So I would like to speak in favor of the conversion. I
13 think it is one that has been thought about very carefully,
14 very thoughtfully and prudently by the leadership of Premera.
15 And I think also that a very positive outcome could be
16 achieved by the formation of this foundation. Thank you.

17 COMMISSIONER KREIDLER: Thank you very much, Anne.

18 Bill Monto.

19 And let me just ask here because I'm a little bit
20 confused because of the markings here on the sheet. Julie
21 Chinitz, you did not wish to testify?

22 MS. CHINITZ: No.

23 COMMISSIONER KREIDLER: Is that correct?

24 MS. CHINITZ: No.

25 COMMISSIONER KREIDLER: Okay. Good. Following

1 Bill Monto I would like to call on Dr. Maureen Callaghan.

2 MR. MONTTO: Commissioner Kreidler, thank you very
3 much for the opportunity to testify today. And I would also
4 like to commend you on your very thoughtful and involved
5 public process throughout the -- this whole proceeding.
6 That's been very good for us.

7 For the record, my name is Bill Monto, and I am
8 associate director of Washington Citizen Action, though
9 tonight I am speaking on my own behalf, not on behalf of
10 Washington Citizen Action. The way I see this issue -- well,
11 first, I would like to say, though, I am here tonight to
12 speak against Premera Blue Cross's conversion application and
13 ask you to deny it.

14 The way I see this issue is an issue of practical
15 politics versus policy, really, in interplay. Premera, as we
16 all know, filed for conversion in September of 2002. And at
17 each step of the way they have contended that their proposal
18 for conversion would be in the best interests of the public,
19 which is a central and essential requirement for there to be
20 an approval. All of their actions, however, point exactly to
21 the contrary.

22 One, Premera has failed to prove that a conversion is in
23 the public interest. Two, they've refused to provide
24 essential information for the Commissioner to rule on the
25 application. And three, they have fought to keep the public

1 and healthcare community excluded from the process at each
2 step of way.

3 What is the result of this? Consultants hired by your
4 office have advised the State to reject Premera Blue Cross's
5 application for a conversion as a for-profit insurer, saying
6 that the move is not in the best interests of the consumers.

7 The experts hired by the OIC raised serious concerns
8 about Premera's proposal that mirror concerns from healthcare
9 providers, hospitals, and consumer advocates, including the
10 possibility that the company could raise premiums to satisfy
11 investors, the prospect of the potential financial gain for
12 Premera's executives spurred their decision to seek the
13 conversion, doubts about whether Premera, as part of this
14 conversion, would transfer its full fair market value of the
15 company into a new nonprofit foundation as required by law.

16 Also of concern is the effect of reducing provider
17 reimbursements on the delicate healthcare market. A question
18 all doctors and nurses and hospitals have is: Would a
19 for-profit Premera engage in harder bargaining with provider
20 networks in areas of the state where they already have market
21 dominance, such as in rural areas? This is something we have
22 to be particularly aware of.

23 And additionally, how would the acquisition of Premera
24 by an out-of-state insurer, such as Anthem, affect those same
25 contracted practices? I believe that the effect could be

1 catastrophic and will potentially drive providers out of
2 those markets and cause a loss of access to those consumers
3 at a time when the state safety net is stretched to the
4 breaking point. And I'll just remind us all that we cut a
5 billion dollars from our state healthcare system last year.
6 And though a foundation would be nice, \$25 million is not
7 even a BandAid on that whole that we lost just last year.

8 In conclusion --

9 COMMISSIONER KREIDLER: Bill, just a little bit
10 slower.

11 MR. MONTO: I'm sorry. Am I going a little too
12 fast for you?

13 THE REPORTER: A little. Thank you very much.

14 MR. MONTO: I'm sorry.

15 And just in conclusion -- I just have one more piece --
16 is everyone but Premera, including your experts, seem to
17 agree that the plan isn't in the public interests. It's
18 obvious that consumers, hospitals, and healthcare providers
19 will be harmed in this conversion.

20 Please protect the consumers of the state. Please
21 protect the doctors, the nurses, the patients of the state
22 and reject this conversion. Thank you for your time.

23 COMMISSIONER KREIDLER: Thank you very much.

24 Dr. Callaghan. And following Dr. Callaghan, Elaine
25 Noonan, if you would please come up and have a seat.

1 DR. CALLAGHAN: Good evening, Commissioner
2 Kreidler. My name is Dr. Maureen Callaghan. And you know
3 where I live; I live in Olympia. I'm a neurologist, and I've
4 practiced in Olympia across the street from your former home
5 base, Group Health, since 1985. I have a part-time practice
6 there.

7 When I first completed my residency, I was employed by
8 another neurologist in Olympia just down the street. I
9 became self-employed in 1986, and remained so until 1994,
10 when I joined the Memorial Clinic. I remained at Memorial
11 Clinic until about nine months before the clinic's demise in
12 2001. I left because I needed to find a more secure source
13 of income other than the practice of medicine.

14 I tell you this because I want to remind you that in the
15 years that I've been in practice, it has been harder and
16 harder for physicians to maintain viable practices. We've
17 seen reimbursement schedules that have not kept up with our
18 overhead costs. And it has become more difficult to get
19 approval for tests we want in order -- we want to order. And
20 it has become more difficult to get paid for what we do.

21 I will also remind you, lest you forget, that I am the
22 recent president of the Washington State Medical Association
23 and in the past year have had the opportunity to speak with
24 and to represent many physicians across the state. I am here
25 tonight to speak as an individual for myself. I am here this

1 evening to speak against Premera's request to convert ot a
2 for-profit entity. And I want to share with you my concerns
3 and the concerns of the Washington physicians that I've
4 spoken to.

5 We're concerned that Premera as a profit-making firm
6 will have a new mission, to extract profit from its existing
7 relationships with physicians, hospitals, employers,
8 purchasers, and patients. We're concerned that Premera will
9 lower its payments to the providers. And we're concerned
10 that Premera will raise its premium rates to those who pay
11 them.

12 Let me talk for a minute about our concerns about the
13 effects on the patients and on the subscribers. What I see
14 is that Premera will roll back its benefits, and this may
15 include eliminating coverage for some necessary services and
16 paying less for the remaining covered services. I fear that
17 coverage for certain nonprofitable categories of individuals
18 would be limited or eliminated completely in order to improve
19 the bottom line for the company.

20 Prescription drug coverage, an increasingly expensive
21 yet necessary part of patient care, will be at risk for
22 higher out-of-pocket costs, and patients will be forced to
23 bear a greater and greater share of out-of-pocket expenses.
24 Consequently, they willnot seek care when they need it, a
25 decision that will negatively affect their health status.

1 Poorer patients and sicker patients will especially be
2 vulnerable if Premera is allowed to proceed with the
3 conversion. We fear that Premera will consider ending its
4 involvement in the Basic Health plan and the Medicaid
5 program, and undoubtedly this is their least profitable book
6 of business.

7 What are we concerned about for -- in terms of the
8 effects on people like myself, the providers? Physicians
9 fear that our offices will see even further administrative
10 burdens based on Premera's strategy to encumber access to
11 care and slow diagnosis and treatment to the financial
12 benefit of Premera and its investors.

13 I fear that Premera may seek to slow down its payment
14 process to physicians and to hospitals. This strategy will
15 increase operating costs for physicians and hospitals,
16 further threatening their financial solvency.

17 And what about effects on purchasers. I fear that
18 employer purchasers of health insurance will pay increased
19 premium rates, yet in return they will be receiving a smaller
20 package of benefits. I fear that their employees' health
21 will suffer when they are discouraged by financial costs in
22 seeking healthcare when they need it.

23 In summary, physicians will see no benefit -- physicians
24 see no benefit to patients, providers, or purchasers if
25 Premera is allowed to proceed with this conversion. I urge

1 you to review carefully the reports of the consultants hired
2 by your office to review the Premera Blue Cross conversion
3 proposal. I urge you to listen carefully to the views
4 presented at these meetings. And I urge to you rule against
5 Premera's proposed conversion because it will have
6 detrimental effects on patients, physician practices,
7 hospitals, and employers. Thank you.

8 COMMISSIONER KREIDLER: Thank you very much,
9 Dr. Callaghan.

10 Elaine Noonan. And following Elaine Noonan, Mary
11 Walker. Mary, if you would come up and have a seat here,
12 please.

13 MS. NOONAN: My name is Elaine Noonan. I live in
14 Issaquah, and I'm the state director for the March of Dimes
15 Washington chapter. Thank you for the opportunity to weigh
16 in on our state's public health crisis.

17 For over 65 years, the March of Dimes has been a leading
18 authority on child health issues. If Premera's conversion is
19 approved, there will be a significant amount of money
20 available to address many of the overwhelming health problems
21 in our state. As we painfully know, the recent economic
22 downturn and resulting shortfall in the State tax revenues
23 have created a harsh fiscal environment.

24 In 2003 the legislature cut \$766 million from low-income
25 healthcare programs. The cuts mean 72,000 more adults and

1 44,000 more children will no longer have health insurance.
2 That's the seating capacity at Safeco Field and Seahawk
3 Stadium combined. Today more than 648,000 people in
4 Washington are going without basic health protection. That's
5 10.7 percent of our population. One in ten Washington
6 residents has no health insurance, and that number continues
7 to rise.

8 People who do have insurance are having more trouble
9 finding physicians, particularly if their coverage is through
10 Medicaid or Medicare. Doctors say that these programs pay so
11 little that they can no longer afford to see these patients.

12 Medical malpractice insurance premiums are on the
13 upswing, causing many doctors to stop delivering babies. We
14 also have a serious nursing shortage. Acute-care hospitals
15 need 400 to 600 nurses to fill current vacancies. As
16 Washington's population ages and the complexity of needed
17 care increases, nursing needs will continue to escalate.

18 The March of Dimes recently funded a research program
19 with Swedish Medical Center to study the communication
20 barriers between providers and patients. It was alarming to
21 find that providers in our state are making judgments about
22 which health messages to discuss with women based on what
23 they think they know about the women's background. We
24 believe all women need to know critical steps that they need
25 to take in order to give their baby the best chance of being

1 born healthy.

2 Earlier this year the March of Dimes launched a
3 five-year \$75 million campaign to combat another growing
4 complex problem, and that's premature birth. In Washington
5 the rate of prematurity has risen an alarming 19 percent
6 since 1990. Today one out of every eight babies is born too
7 small.

8 Prematurity is a serious problem. It is the leading
9 cause of death in the first month of life. It's the number
10 one obstetric challenge. And it's the leading problem in
11 pediatrics. Nearly 25 percent of all premature babies will
12 suffer lifelong health consequences, such as mental
13 retardation, cerebral palsy, chronic lung disorders, and
14 hearing and vision loss. The total annual hospital charges
15 for premature babies is \$13.6 billion. Having a baby born
16 too early costs 60 times more than an uncomplicated birth.

17 So what does all of this mean? Our state's unmet
18 healthcare needs are deep and they're vast. Nonprofits like
19 the March of Dimes traditionally fill critical service gaps
20 that businesses and government cannot provide. But in these
21 economically challenged times, we are struggling to provide
22 help for a growing population that is in desperate need for
23 services that have been cut or eliminated. This also pulls
24 from our existing resources to address specific problems that
25 we've identified as top priorities for the demographic

1 population that we serve.

2 In our state more than ever we need strong leadership
3 and a clear vision. We've been stuck in a broken system for
4 too long. It's time for new ideas that require measured
5 risk. So we must ask the tough questions about how to get
6 more value out of our healthcare system, make it fairer and
7 more sustainable.

8 A healthy debate is the right choice or the right
9 approach. But let's be clear. When scare tactics and
10 what-if scenarios override our priorities to work together
11 and solve serious problems, we will never achieve the
12 milestone breakthroughs that the Washington population
13 expects from us and quite frankly deserves.

14 Thank you very much.

15 COMMISSIONER KREIDLER: Thank you very much.

16 Mary Walker, please come up. And following Mary Walker,
17 Jean Roberts, if you would please come up and have a seat.

18 MS. WALKER: Good evening. I wanted to thank you
19 very much for the opportunity to make a comment about a very
20 complex matter. And while you hear from actuaries and others
21 who certainly know the insurance business better than I do, I
22 would like to make a comment about the foundation that
23 potentially could be generated from this particular
24 conversion.

25 My name is Mary Walker. I live in Bellevue, Washington.

1 I serve as the dean of the College of Nursing at Seattle
2 University. And I believe that as a consumer I'm in a very
3 good position to comment about what could be the potential
4 benefits of such a foundation.

5 I've listened for the last hour to the poignant comments
6 of the members of this audience, and I find parts of every
7 comment that I could support. That makes your job very
8 difficult. However, I, too, believe that we have incredible
9 health challenges ahead of us as a state and as a nation.

10 You've heard from multiple people that we have a nursing
11 shortage. However, the nursing shortage has not been
12 described in terms of its impact, which is to decrease the
13 access to healthcare for the people of the State of
14 Washington and ostensibly the people of Alaska.

15 I wish we only had 300 to 600 physician vacancies in the
16 state. The reality is that 12 percent of all the nursing
17 positions in the state are empty. 25 percent of all the
18 faculty positions for nursing are empty. We have jobs in an
19 industry that is compressed from every side. We have
20 difficulty recruiting the youngest members of our society to
21 think about healthcare, not only as a job but as a gift back
22 to society.

23 The truth of the matter is this: In the United States
24 today, fewer than 10 percent of all practicing nurses are
25 under the age of 30. We have a crisis, not only in the

1 present moment, but a crisis looming if we cannot mobilize
2 resources to talk about sincerely what creates access. What
3 creates access are competent, knowledgeable healthcare workers
4 who are able to care for the people who need them.

5 At this point in time, with 1200 position vacancies for
6 nurses alone in the state of Washington, we have access
7 denied. Have access denied because we do not have people in
8 available positions. How can we help to fix this? We can
9 help to fix this by thinking through logically how the
10 profits that might be used to fund such activities could come
11 from a foundation such as this one.

12 I will say as a private person that when Premera made a
13 decision to file for for-profit status, they also made a
14 decision to open up dialog with all the key stakeholders in
15 the state. I've been privileged to be part of that dialog
16 since the beginning of this effort. I have found all of the
17 participants to come initially, including myself, from my own
18 particular perspective, hoping that indeed I could sell that
19 perspective as the answer for the utilization of these
20 monies.

21 Over the course of the last nine months, what has
22 happened in that group is that all of us have been able to
23 step outside our own particular persuasion to look at what
24 would be in the broader good of the people of the state of
25 Washington. And all of us have come away feeling that

1 Premera is positioned to do something for this state that no
2 other particular group is positioned to do.

3 On behalf of all of the people of the state of
4 Washington, of the people who have been involved in the
5 decision-making around this matter, the people who will
6 continue to make these decisions, and those of us who have
7 provided input as key stakeholders, let me say that this
8 foundation has the potential to do good, and I would hope you
9 would keep that in mind. Thank you.

10 COMMISSIONER KREIDLER: Thank you very much.

11 Jean Roberts. And following Jean Roberts, Peter Dunbar.

12 MS. ROBERTS: Thank you very much for the
13 opportunity to testify. I live in Olympia, but I am the
14 administrator at Mark Reed Hospital in McCleary. And I'm
15 here to speak against the Premera conversion.

16 Mark Reed Hospital is a small, rural, critical-access
17 hospital. We provide pretty basic services, inpatient care,
18 24-hour emergency room care, lab, x-ray, specialty clinics.
19 We own and operate the local ambulance and EMS service in
20 east Grays Harbor County and also have a very busy primary
21 rural health clinic within our hospital.

22 Medicare and Medicaid make up 54 percent of our hospital
23 business and 59 percent of our clinic business. As we all
24 know, they're not always great payers, generally not. Of all
25 of our private insurances for hospital and clinic, which

1 average 34 percent of our business, Premera Blue Cross is our
2 largest payer. Regence is second, but is only about half the
3 volume of our Premera patients.

4 I'm here also to share some information about hospitals
5 which are located within the Hospital Association's southwest
6 council, so hospitals basically in southwest Washington. The
7 services provided by these hospitals range from the very
8 basic services that we provide at Mark Reed Hospital in
9 McCleary to a full range of tertiary services provided at
10 some of the larger hospitals. However, no matter what our
11 size, we all provide healthcare services which are crucial in
12 our communities.

13 In a recent survey, to which 8 of the 12 hospitals in
14 our council responded, all 8 currently have contracts with
15 Premera. And of that, 88 percent is Premera -- of the
16 Premera business is commercial, and 12 percent is Basic
17 Health and Healthy Options.

18 Southwest Washington hospitals have operating margins
19 that average just above 2 percent. This is below the state's
20 average. And the rural hospital margins with our council are
21 significantly lower at just over 1 percent.

22 All of our hospitals provide charity care. When charity
23 care is computed as a percentage of gross patient revenue and
24 adjusted revenue, Providence Centralia and Providence
25 St. Peter in Olympia provide the highest percentage of

1 charity care in our region. Mark Reed, which is one of the
2 smaller hospitals in the state, is third highest for charity
3 care in our region. So we may be small, but we provide a
4 much larger percentage of charity care than many of our
5 neighboring hospitals.

6 This is part of our mission, and I mention it because we
7 do not want to provide increasing amounts of charity care,
8 which might be the result of Premera deciding not to cover
9 those who live in our area or decide to pay us less than what
10 we are currently paid.

11 I am concerned about the ability for those who live in
12 rural Washington to have access to health insurance.
13 Currently Premera is actually one of our best contracts. As
14 a small rural hospital which is always concerned about
15 financial viability, I am concerned that as a for-profit
16 company Premera will cut the rates that we are currently
17 being paid.

18 I am concerned that they may decide that the rural
19 market is not profitable and will no longer be willing to
20 insure either our employees or families within our area. And
21 all of our hospital employees are covered by Premera. This
22 would negatively affect our financial viability.

23 When your operating margin is slim to begin with, lower
24 payments and higher premium costs can easily make the
25 difference between a positive and negative bottom line. And

1 I think my hospital is not unusual in that.

2 Insurance costs have risen steadily and significantly
3 over the last few years. And neither our hospital nor the
4 patients we serve can afford to pay the higher premiums that
5 will likely take effect if Premera becomes a for-profit
6 company. If Premera decides it's not profitable to cover
7 people in rural areas, that would have a devastating effect
8 on us.

9 I have worked at Mark Reed for almost 19 years. I have
10 been administrator for 17 years. We are small, we are rural,
11 and we have experienced significant financial challenges for
12 many of these years.

13 We have added services, our patient volumes have
14 increased significantly, and we believe we are an extremely
15 important part of our community.

16 I would not want to face significant financial
17 challenges in the next few years because Premera was granted
18 for-profit status and the ultimate effect was negative for
19 our hospital and the patients we serve and the citizens of
20 Washington. Thank you.

21 COMMISSIONER KREIDLER: Thank you very much, Jean
22 Roberts.

23 Peter Dunbar, followed by Nicholas Rajacich. Did I
24 pronounce that -- am I semiclose?

25 DR. DUNBAR: Commissioner Kreidler, I commend you

1 on your ability to listen to such long testimony.

2 My name is Peter Dunbar. I practice anesthesiology, and
3 I am director of the pain relief service at Harborview
4 Medical Center. I've been in practice for 20-something
5 years, and I serve typical Harborview mission patients,
6 severely injured, sick, poor, nonnationals, drug addicts,
7 prisoners, and generally disenfranchised. I want to speak
8 against Premera's request for conversion to a for-profit
9 entity.

10 In King and Pierce Counties, Premera has a robust share
11 of the health insurance market as a not-for-profit company.
12 However, Premera's intention is to extract profit from its
13 existing long-standing relationships with physicians,
14 hospitals, and employer purchasers, and patients. As a
15 for-profit entity, it makes a profit from its provider
16 network by lowering the payments for medical care from its
17 purchaser, typically the employer community, by raising its
18 premium rates.

19 Once Premera's focus is on investors, it will be driven
20 by its fiscal duty to increase shareholder returns, and all
21 other areas shall have to be sacrificed to that goal. And
22 that makes me worry that there will be a serious toll on the
23 ability of physicians and hospitals to care for patients. I
24 worry Premera will roll back its benefits to more meager
25 offering and eliminate coverage for necessary services and

1 pay less for the remaining covered services.

2 Furthermore, I'm worried that coverage for services to
3 women, children, and older persons will be done away with,
4 which would reduce Premera's financial obligations to
5 subscribers and purchasers. Patients, especially sicker
6 patients, would be at risk. They'd be forced to bear greater
7 and greater share of out-of-pocket expenses if coverage is
8 scaled back.

9 COMMISSIONER KREIDLER: Doctor, just for
10 transcription, just a little bit slower.

11 DR. DUNBAR: I don't know how she keeps up anyway.

12 COMMISSIONER KREIDLER: Me either.

13 DR. DUNBAR: As patients are forced to pay a higher
14 proportion of their healthcare costs out of pocket and due to
15 these reductions in benefits, they'll be dissuaded from
16 seeking out care, a decision that will adversely affect their
17 health status and make them more likely to end up in the
18 safety net in which I work.

19 The poorer patients and sicker patients would also be at
20 greater risk of loss of insurance coverage. They often are
21 sicker patients as well, as the poverty and sickness go
22 together. They wouldn't be able to absorb the out-of-pocket
23 costs, furthermore, delaying or foregoing healthcare. And
24 Premera would be compelled for profit-seeking reasons to
25 consider ending involvement with the Basic Health program and

1 Medicaid.

2 Physicians' offices would see further administrative
3 costs imposed upon them by Premera, which would make access
4 to care more difficult and blunt the utilization of
5 legitimate services, straining the safety net, but to the
6 benefit of Premera and its investors.

7 Furthermore, someone's already mentioned that Premera
8 would be discouraged from making timely payment for claims,
9 delaying claims to improve profitability. This would further
10 increase costs to physicians and hospitals and even further
11 threaten our ability to recruit physicians because, on the
12 present coverage rates we get through Medicare and Medicaid,
13 it's a difficult problem keeping people in this area.

14 The rising cost of operating physician practices is
15 well-documented, and you're well aware of it, as is the
16 widening gap between insurance reimbursements and raising
17 those costs. As a result, many physicians see financial
18 solvency of their practices at risk, which would drive even
19 more patients into Harborview in the safety net, which by the
20 way is strained pretty good right now. We're running 102
21 percent occupancy in the last month, with 50 people sleeping
22 in the hallways during the daytime.

23 In closing, I beseech you not to be swayed by the
24 opportunity represented by the foundation. It is a mere
25 \$500 million. When put into the perspective of the annual

1 budget for DSHS, which is measured in the billions, or put in
2 the perspective of the Gates Foundation, which is measured in
3 a billion dollars a year in payouts, or put into the
4 perspective of the University of Washington research dollars,
5 which exceeds \$500 million a year -- I think it was
6 \$800 million last year was received in research, and over
7 half of it was spent on medical research -- the \$25 million
8 is just a drop in the bucket.

9 I would like to close and say that I would like to see
10 the good lord executives of Premera direct their energies to
11 the care of the community and not just to the profit of the
12 shareholders. Thank you.

13 COMMISSIONER KREIDLER: Thank you, Doctor.

14 Nicholas Rajacich, is that how you say it?

15 DR. RAJACICH: Rajacich.

16 COMMISSIONER KREIDLER: Rajacich. Excuse me.

17 Following you, Doctor, I call on Wendy LeBlanc.

18 DR. RAJACICH: Thanks for giving me the opportunity
19 to speak, Commissioner Kreidler. I'm Nick Rajalich. I'm an
20 orthopedic surgeon and doctor down in Tacoma, where I have a
21 been doing orthopedics primarily for the kids of our
22 community for the last 13 years. I'm here to at least
23 express my concerns about a conversion of an insurance
24 company to a for-profit status, be it Premera or any other
25 one.

1 I think there's some long-term implications, and I
2 apologize if some of these are repetitive. And I think
3 you've probably heard some these before. But as a nonprofit,
4 Premera's mission is to serve its customers, to provide
5 health insurance to the citizens of our state. And by the
6 way, I found out on their website the other day that they
7 insure 1.5 million people here, which is impressive.

8 As a for-profit company the mission changes, and it
9 becomes one of generating profits. There's only two other
10 ways you can generate profits, either take more money in or
11 pay less out. And that's where a lot of medicine's concerns
12 come up, around this concept. I'm concerned that the
13 conversion will further aggravate the double-digit insurance
14 rate increases that we've all been experiencing for the last
15 few years. It may not be directly related, but there's got
16 be a greater tendency to try and increase rates in order to
17 bring in more money.

18 I'm concerned about rationing down what already is low
19 reimbursement that we experience in our state, both doctors,
20 hospitals, pharmacies, and whatever. And you, I believe,
21 know that Washington ranks near the bottom in terms of
22 average reimbursement for care provided to our citizens.

23 I'm concerned that the company will simply pull out of
24 rural markets because it's not profitable enough. And I'm
25 concerned that there would be a tendency towards tougher

1 underwriting standards such that patients who are sick or
2 people who are in a group that are deemed to be at risk for
3 becoming sick will suddenly not be able to find insurance.

4 To summarize, I'm just concerned about this conversion
5 entirely. I don't think it's the best thing for the citizens
6 of our state. Thank you for hearing me.

7 COMMISSIONER KREIDLER: Thank you, Doctor.

8 Wendy LeBlanc, please. And following her, Cecily Hall,
9 please come up and have a seat.

10 MS. LeBLANC: Thank you for hearing me. My name is
11 Wendy LeBlanc. I'm a citizen of Washington state and
12 resident of the City of Seattle.

13 I'm very concerned about the conversion. As a Regence
14 enrollee, I think that if Premera is allowed to convert, what
15 with all the negative impacts being written in the expert
16 reports which I've read, and those who have already testified
17 here tonight, that my insurer would not be far behind. What
18 happens to me then? What happened to Blue Cross and Blue
19 Shield as the insurer of last resort?

20 I want know who benefits from a conversion because it's
21 obvious to me that it's not nurses, doctors, or consumers, or
22 hospitals, for that matter. They stand to lose from the
23 deal. We all stand to lose from the deal. And I wonder if
24 putting limits on the ability of Premera's principals to
25 profit from stock options and other forms of compensation

1 would take some of the wind out of the sails in their pursuit
2 of this conversion.

3 I think it's too important an issue not to employ the
4 cautionary principle. Premera has not proven their plan to
5 the public or that it's in the public interest, and so it
6 should be denied. And thank you very much for hearing me.

7 COMMISSIONER KREIDLER: Thank you.

8 Cecily Hall. And following her, Patrick Ryan.

9 MS. HALL: Good evening. My name is Cecily Hall,
10 and I live in Redmond. And I'm the director of employee
11 benefits for the Microsoft Corporation.

12 As a customer of Premera's, I expect exemplary service
13 for my employees and their family members. I expect access
14 to large networks of doctors and hospitals and a continued
15 focus by Premera on methods of improving the healthcare
16 delivery process via tools and technology. So regardless of
17 the outcome of this decision, my expectations as customer are
18 not going to change.

19 However, I do believe that Premera's ability to deliver
20 on these expectations and meet Microsoft's needs on a
21 going-forward basis will be greatly enhanced if they have the
22 opportunity to be investor owned.

23 Premera's for-profit competitors, on the other hand, do
24 have access to capital, which provides the flexibility to
25 make investment decisions on both infrastructure and

1 technology. It provides them the opportunity to offer
2 competitive, innovative products and services that their
3 members expect.

4 So approving Premera's conversion to for-profit status
5 would actually provide a more level playing field by allowing
6 Premera to better compete in this very dynamic and very
7 challenging marketplace that we know today. I think it would
8 also allow them to become a better business partner for
9 Microsoft and other employers by ensuring or having the
10 ability to ensure great products are readily available for
11 our employees and their families.

12 So I want to make sure that you understand that today
13 I'm a very satisfied customer of Premera's, but that it will
14 become increasingly difficult for them to compete for
15 business in a healthcare market if they remain nonprofit.
16 Premera's change in status would also provide significant
17 funding to address some of the state's currently underserved
18 healthcare needs, such as professional shortages, wellness
19 education, and access to healthcare. And we've heard a lot
20 about that this evening, so I won't belabor that point.

21 But I think as a state this conversion represents a
22 great opportunity to improve the overall health of many, a
23 real win-win situation. So we should not pass up this
24 opportunity to make such a significant difference in so many
25 lives.

1 Premera has established themselves as a reputable and
2 trustworthy employer and a valued business leader in
3 Washington. They provide good wages and meaningful work for
4 their employees and, therefore, add real value to the
5 Washington state business economy. Microsoft is a large
6 employer in the state and, therefore, fully supports
7 Premera's move from nonprofit to for-profit status.

8 Thank you very much.

9 COMMISSIONER KREIDLER: Thank you very much, Cecily
10 Hall.

11 And Patrick Ryan. Following Patrick Ryan -- and excuse
12 me if I mispronounce it. Jeff Huebner, if you would come up
13 and have a seat please, Doctor.

14 MR. RYAN: Hi, I'm Patrick Ryan. I live in
15 Shoreline, Washington, and I'm just a taxpayer. I don't have
16 a dog in this fight, as it were. I do have the benefit of
17 ten years' insurance industry experience in my past. And I
18 would like to thank you, Mr. Kreidler, for the opportunity to
19 make a public comment about the -- about in particular the
20 foundation that would be established as part of this
21 conversion to the for-profit corporation.

22 COMMISSIONER KREIDLER: I should ask you, did you
23 have an opportunity take -- to be sworn in?

24 MR. RYAN: I did.

25 COMMISSIONER KREIDLER: You did. Thank you.

1 MR. RYAN: This nonprofit institution should be
2 established with a focus on public health. There should be
3 an intensive effort to preserve the charitable assets, which
4 include both valuation of Premera's tangible and nontangible
5 assets. This is not only a legal requirement, but is also a
6 matter of public fairness and that they've been funded via
7 tax breaks, subsidies, and community donations in the past
8 through the public interest.

9 There should be both a legal and good-faith effort to
10 establish an arms-length relationship between this new
11 nonprofit institution and Premera's for-profit interests.
12 The State of Washington needs to create and vigorously
13 enforce conflict-of-interest rules as well as disclosure
14 criteria for the nonprofit agency and the people on the
15 nonprofit's board.

16 And under these circumstances, I would favor conversion
17 of Premera to a for-profit corporation. Thank you.

18 COMMISSIONER KREIDLER: Thank you very much.

19 I might just add for the record because several comments
20 have been made about the foundation, it's been pointed out by
21 many who testified, but just to make it clear, the foundation
22 would only be created as a result of a conversion going
23 forward. So it's contingent on approval for conversion.

24 If that were -- if a foundation were to be created, the
25 Attorney General of the State of Washington would take over a

1 lead responsibility on the management and operation and
2 set-up of a foundation. But we do have -- kind of the
3 responsibility, I do the decision on whether the company can
4 convert, and then we kind of work together on how the
5 valuation takes place. And then the actual set up of the
6 foundation, its purposes, and how it operates would be up to
7 largely the responsibility of the Attorney General.

8 Thank you very much.

9 MR. RYAN: Thank you.

10 COMMISSIONER KREIDLER: Did I come close on the
11 name there? As you come up, let me also reach out to Deborah
12 Knutson, if you would please come up and testify.

13 Did you have an opportunity to be sworn in?

14 DR. HUEBNER: Yes, I did. Thank you.

15 My name is Dr. Jeff Huebner, and I'm currently a
16 second-year resident doing my family medicine training at the
17 University of Washington program. Specifically I do a good
18 portion of my training at Harborview Medical Center. I'm
19 also currently a board member of the Washington Academy of
20 Family Physicians. And although I'm a member of that
21 organization, I am speaking on my own behalf tonight.

22 I am speaking against the proposed conversion of Premera
23 to a for-profit entity. I think many of the arguments have
24 been eloquently stated and passionately by many of the
25 previous colleagues, both my physician and nursing

1 colleagues, and the audience as well as policyholders of
2 Premera. I'll just review of couple of those that I feel are
3 the most important.

4 Obviously some people have stated as well that the
5 fiduciary responsibility of Premera would turn to its
6 shareholders as a for-profit entity necessarily, as this is
7 how the system works, instead of being obligated to do what
8 is best for the policyholders as a nonprofit entity and as a
9 citizen or community organization -- an organization
10 dedicated to improving the health of its members and the
11 community and the state, as they state on their website.

12 Certainly the pressures of the healthcare system are
13 bearing down. As we all know, increasing costs, premium
14 costs, costs of a healthcare system are increasingly bearing
15 down, creating a system of increased numbers of uninsured as
16 well as a system where patients and healthcare providers are
17 feeling that strain directly.

18 And I guess I just want to speak to that as someone who
19 is going through my training and someone who recently
20 graduated from medical school with the ideal that I would be
21 able to take care of anyone who comes through my clinic or
22 hospital door, be they rich or poor, insured or uninsured.
23 And I'm afraid as the system becomes more fragmented and as
24 the profit motive becomes more and more present within the
25 physician-patient relationship, that healthcare of my

1 patients become more and more in jeopardy.

2 And I can speak to that as I see that now as I'm going
3 through my training. And certainly it's disheartening, and
4 it's unfortunate that obviously some of my colleagues, my
5 physician mentor colleagues have had to make the arrangements
6 they have had to move into different practice arrangements to
7 ensure their survival in that they can't keep access to
8 patients available.

9 I guess I see this as most recently, the last couple of
10 months, I was actually working at Harborview on the medicine
11 wards admitting patients, and they are indeed at 100 to
12 110 percent of capacity. And it's very wearing as a
13 physician in training to know that my patients who are very
14 sick and admitted are in a hospital gurney in the hallway
15 when really they need a bed on the floor or a bed in the
16 intensive care unit.

17 And I should also inform people with this opportunity
18 that, be you insured or uninsured, be you a Premera member or
19 not, this could be the case for you as end up in any of our
20 hospitals in the state as they become overburdened and taxed
21 by these problems of having to take care of more and more
22 people who are without insurance.

23 I would also state that I guess it's unfortunate to me
24 that so many people are speaking on behalf of what could come
25 to organizations, which some people have likened to a drop in

1 the bucket, the \$25 million approximately, if Premera were to
2 convert to for-profit because I think it's unfortunate that
3 as a nation and as citizens of this state it would come to
4 that, that this is how we need to figure out how to take care
5 of our most vulnerable and ensure the public's health,
6 instead of making a collective decision through our
7 Democratic process, which I am grateful for this opportunity
8 tonight to say that no, there's another way.

9 And I would also just comment on one of the previous
10 respondents who actually was talking about the innovative
11 products that Premera may be able to offer if they become a
12 for-profit entity and have this supposed infusion of capital.
13 That disturbs me as well because I wonder what she means when
14 she says "innovative and dynamic products that they will be
15 able to offer."

16 Certainly when someone is having chest pain, having --
17 in the middle of a heart attack, they're not concerned about
18 whether they have an innovative health policy product. They
19 want to be sure they can get the care they need in the
20 emergency room from the physicians and nurses that need to be
21 there.

22 One other direct effect I would just state as well, as
23 the for-profit motive become apparent in the physician-
24 patient relationship, this also affects -- and I don't think
25 these effects are always thought of by people -- the amount

1 of time that the healthcare providers can spend with those
2 patients making sure that they come up with the correct
3 diagnosis and ensure the correct treatment.

4 And I'm sure many people are disturbed when the
5 physician walks into the room, barely says hi, asks one
6 question or two, and leaves within five minutes, and the
7 patient didn't even get a chance to figure out what they just
8 were diagnosed with, let alone ask the questions that they
9 have. But this is the case more and more as physicians and
10 hospitals have to worry about how to stay afloat.

11 Thank you very much.

12 COMMISSIONER KREIDLER: Thank you very much,
13 Doctor.

14 Deborah Knutson. And Deborah, let me just point to the
15 audience that Deborah is the last person to indicate to
16 testify. If somebody has an interested in testifying, as I
17 said at the beginning, if you would just go to the back of
18 the room here, Stephanie Marquis or Sandy Peck are at the
19 very back back there. If you would just sign in with them,
20 and you would have an opportunity to testify.

21 Deborah, did I have -- did you have a chance to take the
22 oath to be sworn in?

23 MS. KNUTSON: No.

24 COMMISSIONER KREIDLER: Let me do that right now so
25 we can follow the procedures of this adjudicative hearing

1 appropriately.

2
3 DEBORAH KNUTSON, having been first duly sworn
testified as follows:

4
5 COMMISSIONER KREIDLER: Thank you. Please proceed.

6 MS. KNUTSON: Thank you. My name is Deborah
7 Knutson. I'm president of the Economic Development Council
8 of Snohomish County where Premera is headquartered. We are
9 in support of the proposed conversion.

10 As you all know, healthcare delivery costs have changed
11 dramatically in the past few decades and is predicted to
12 continue at this rate in change of rates.

13 All the companies need adequate capital in order to grow
14 and serve its customers, and Premera is no different. We
15 want Premera to remain in Washington state and specifically
16 in Snohomish County far into the future.

17 It's been shown over and over again that nonprofit
18 insurance companies have been losing their independence and
19 have been consolidated into other insurance companies that
20 may not be located here in our state. A cause of this has
21 been access or lack of access to capital.

22 By going public, the access to capital will allow
23 Premera to increase insurance reserves that will be in line
24 with rising medical costs. They will invest those funds in
25 new technology and services for members and healthcare

1 providers alike.

2 As a nonprofit insurer with no outside investors,
3 Premera's primary source of capital is from the premiums paid
4 by the members. And those profit margins, as we've heard,
5 are very slim, and insurers cannot raise premiums that are
6 not competitive in current markets.

7 Premera is being a good steward, and the funds -- of the
8 funds and planning ahead. They're evolving to meet the
9 changing needs of a new healthcare environment. We need to
10 look at Premera's proposal as being innovative and
11 entrepreneurial. They are not the cause of rising healthcare
12 costs or the lack of healthcare workers, but they certainly
13 can be part of the solution to turning this crisis of access
14 to healthcare around.

15 And I would just like to ask the question: Has anyone
16 asked about the implications if Premera does not convert to a
17 for-profit status? Successful companies are always evolving,
18 innovative, and quick to respond to market opportunities
19 while sustaining and expanding their customer base. And I
20 would certainly hope that Premera has an opportunity. Thank
21 you.

22 COMMISSIONER KREIDLER: Thank you very much. And,
23 Steve Leahy, if you would be kind enough to come up. Steve,
24 did you have an opportunity to take the oath?

25 MR. LEAHY: Yes. And I even signed the sheet, but

1 it must have got misplaced somewhere along the way.

2 COMMISSIONER KREIDLER: I apologize.

3 MR. LEAHY: So thank you for the last call. I'm
4 Steve Leahy, and I serve the president/CEO of the Greater
5 Seattle Chamber of Commerce. That's a very diverse
6 organization, and their constituencies have already expressed
7 themselves here this evening. And that comes from different
8 views from what I plan to discuss. So I don't want to
9 pretend that I'm speaking for all of the members of the
10 Chamber. But I am going to focus on those -- oh, I live in
11 Sammamish, Washington, by the way. Excuse me.

12 Most of the members of the Chamber are purchasers of
13 healthcare services. They're providers, and there are other
14 insurers, and in fact, our organizations does operate a small
15 group insurance -- a group purchasing plan for small
16 businesses. But in fact, its two primary caregivers are
17 Regence Blue Shield and Group Health Cooperative, so it might
18 not be in a business relationship with Premera in that
19 regard. They are a chamber member and have joined with many
20 other businesses in the region in promoting the business
21 economy of the region.

22 But the perspective that I would like to come from is
23 the struggles of small businesses that want to provide
24 competitive wages and benefits for their workers in a market
25 that affords them, at least in terms of carriers, fewer

1 options than the Washington state insurance market provided
2 10 years ago.

3 And some of that, frankly, is the result of decisions
4 made by your predecessor as Insurance Commissioner. Some of
5 us thought it wouldn't produce the result that we now have.
6 And we don't think, in fact, that has led to as competitive
7 and healthy and as option-filled marketplace as Washington
8 state deserves.

9 So coming from that perspective, as far as the
10 purchasers of health insurance are concerned, they need to
11 have healthy competition in this marketplace. They need
12 different options and choices provided by financially stable
13 companies and carriers. And, in fact, if Premera is allowed
14 to go ahead, which I believe, hope, eventually you would
15 decide to let this conversion go forward, then we would, in
16 fact, have three very different models with three very
17 different strategies to provide more competition for the
18 ultimate consumers and purchasers in the State of Washington.
19 We would have a staff modeled HMO in Group Health, we would
20 have a nonprofit carrier in Regence, and a for-profit carrier
21 in Premera Blue Shield. That, frankly, would be a great test
22 for the state, and I think the ultimate consumers would be
23 beneficiaries of that.

24 As it relates to, you know, what does it take to ensure
25 or at least increase the odds that Premera can be financially

1 successful going forward, you know, some of the comments here
2 tonight sound as though, you know, making profits are somehow
3 either because money's taken away from people providing
4 services or through gouging consumers with unfair, exorbitant
5 rates.

6 There are other pathways to making profit. And,
7 frankly, part of what I think would occur in the conversion
8 experiences here -- here that has played out in other states
9 is that capital is going to come to reward and fuel
10 innovative strategies that lead to less costs, frankly, being
11 borne by rate payers for the technological investments that
12 are required for integrated health data systems that,
13 frankly, we all know are part of the reason why disconnected
14 parts of our healthcare system right now, the costs are, in
15 one way, higher than they would be if we had more centralized
16 data capability and companies that could sustain and, you
17 know, invest in that kind of capacity going forward.

18 So to the Insurance Commissioner's office and the State
19 of Washington and then the competition among the carriers,
20 the three major ones in this market, with a few relatively
21 small players from the outside, that's going to be the major
22 influence on the rates that consumers pay. So that is not, I
23 think, the issue that ought to be the central one here for
24 the conversion approval or not.

25 I think it is more in a company with a different

1 business model, you know, with different financial strengths
2 coming in lead to an expansion of options that all of the
3 purchasers in the State of Washington, and then compare and
4 contrast and make, frankly, some more effective --
5 cost-effective and smarter purchasing decisions than they
6 have the ability to do in today 's marketplace.

7 Thanks very much.

8 COMMISSIONER KREIDLER: Thank you very much.

9 Is there anybody else who had wished to testify that
10 didn't have the opportunity? If not, I want to conclude this
11 hearing by thanking each and every one who attended, but more
12 especially those who came forward to offer testimony this
13 evening.

14 There will be another public hearing next week in
15 Bellingham. And following that in March we will have the
16 formal hearing with the total process looking forward to
17 being concluded with a decision being made on or about the
18 7th of June.

19 Once more, thank you all for coming to participate this
20 evening of your testimony was very much appreciated.

21 Let me just say to those who are still here, the
22 advantage to you is that I'm making the announcement that, if
23 you want to save \$2 on your parking, as you leave the
24 Doubletree's parking lot, just tell them that you were at the
25 Office of the Insurance Commissioner's hearing, and you will

1 save yourself \$2. So it's \$3 instead of \$5 for your parking
2 this evening.

3 Again, thank you all very much for coming. Meeting
4 adjourned.

5 (Proceedings concluded at 7:51 p.m.)
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C E R T I F I C A T E

I, SUE E. GARCIA, a duly authorized Court Reporter and
Notary Public in and for the State of Washington, residing at
Tacoma, do hereby certify:

That the foregoing proceedings were taken before me on
the 11th of December, 2003, and thereafter transcribed by me by
means of computer-aided transcription, that the transcript is a
full, true, and complete transcript of said proceedings;

That I am not a relative, employee, attorney, or
counsel of any party to this action or relative or employee of
any such attorney or counsel, and I am not financially
interested in the said action or the outcome thereof;

IN WITNESS HEREOF, I have hereunto set my hand and
affixed my official seal this December 14, 2003.

SUE E. GARCIA, CCR, RPR
WA Lic. No. 2781